

5 MAR 1984

MEMORANDUM FOR: Deputy Director for Administration

FROM: Daniel C. King  
Director of Logistics

SUBJECT: President's Private Sector Survey on Cost Control

REFERENCE: Memo to D/L from DDA, dtd 19 January 1984,  
Same Subject (DDA 84-0195)

1. As requested in the reference, the Office of Logistics has reviewed the copies of the task force reports completed by the President's Private Sector Survey on Cost Control (Grace Commission) on:

- A. Land/Facilities/Personal Property  
(federal vehicle fleet management only)
- B. Procurement/Contracts/Inventory Management
- C. Real Property Management
- D. Department of Labor  
(OMB Circular A-76 only)

2. Our comments on the applicability of the reports to the Agency and on the task force recommendations, which can be adopted by the Agency, are contained in the attachments corresponding to the listing of reports in paragraph one. In addition, at the request of the Office of Personnel, we have provided comments on several recommendations contained in Grace Commission, Personnel Management Operations report. Our comments on recommendations in this report are at Attachment E.

3. If there are any questions or we can be of further assistance in this matter, the focal point for this activity is the Information and Management Support Staff, Office of Logistics, extension [redacted]

[redacted]  
Daniel C. King

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OL 4045-84

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OL/INSS (2 March 1984)

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL  
Land/Facilities/Personal Property  
(federal vehicle fleet management)

Recommendation:

LAND 2-1: By Presidential action, the currently constituted interagency Assistant Secretaries for Management Group, within the Office of Management and Budget, should analyze existing reports and data within one year and submit to the President accounting, operational, and management standards and improvements. These standards should be implemented for the entire federal fleet under existing Executive Branch authority.

Comment:

The Office of Logistics concurs in this recommendation.

Recommendation:

LAND 2-2: Reform 88 should establish a government-wide fleet management information system (MIS) and should address the fundamental question of whether the Federal Government should be in the business of owning and operating a motor vehicle fleet and to what extent it should be doing so.

Comment:

We feel that, because of cover and security, the Agency should not participate in a government-wide fleet management information system (MIS).

Recommendation:

LAND 2-3: GSA should maximize volume purchasing leverage by utilizing a competitive, once-a-year, fixed/price indefinite quantity contract for each new fiscal year's planned quantity of new vehicles, based upon agencies' budgets as submitted to Congress.

Comment:

The Office of Logistics concurs in this recommendation as it would be cost effective.

Recommendation:

LAND 2-4: GSA and DOD should increase vehicle resale revenues by implementing a reconditioning program for all decommissioned vehicles prior to sale.

Comment:

The Office of Logistics concurs in this recommendation, but with some reservation. A caveat would be that the Agency realize the dollars returned on the sale of vehicles to procure replacements, and that some Agency vehicles would be retained for training purposes.

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL  
Procurement/Contracts/Inventory Management

Recommendations:

PROC 1-1: The Administration should continue its active programs for substantial reforms of the procurement process through the Uniform Federal Procurement System and a strong central leadership role for the Office of Federal Procurement Policy/OMB.

PROC 1-2: The Administration should take direct action to fully integrate procurement reform and the role of OFPP into the existing budget/program review processes of OMB.

PROC 1-3: The Administration should take direct action to retain the Federal Acquisition Institute in OFPP/OMB.

Comment:

Recommendations PROC 1-1 through 1-3 have general application to the entire federal government process. They would strengthen the Office of Federal Procurement Policy (OFPP), have long-term positive impact and should be supported.

Recommendations:

PROC 2-1: The President should propose a well-defined joint project to be undertaken by the General Accounting Office (GAO) and the Office of Management and Budget (OMB), with assistance from major procuring agencies and departments, to analyze, by a certain date, the costs of major socioeconomic programs which affect the procurement process.

PROC 2-2: The President should initiate by Executive Order a requirement that future socioeconomic programs proposed to be implemented via the procurement process be subject first to a cost/benefit analysis.

Recommendations:

PROC 2-3: The President should pursue legislation, either separately or as part of the proposed Uniform Federal Procurement System, to tie the thresholds and ceilings for major socioeconomic programs to the ceiling for simplified small purchase procedures.

PROC 2-4: The President should pursue legislation, either separately or as part of the proposed Uniform Federal Procurement System, to increase the ceiling for simplified small purchase procedures to \$25,000 government-wide.

Comment:

Recommendations PROC 2-1 through 2-4 have general application to the federal acquisition process and should be supported. We do feel, however, that the Commission should have made an additional recommendation in this area, i.e., to designate a group to evaluate a system for implementing socioeconomic programs through the tax process or other methods rather than via its contracts for supplies and services.

Recommendations:

PROC 3: Carlucci Initiatives; PROC 4: Multiyear Contracting; PROC 5: Program Prioritization; and, PROC 6 through 9: Project Management Issues Overview.

Comment:

These recommendations are specifically for DOD and focus on major weapon systems acquisition. While most of the recommendations seem to have merit for DOD, one must remember that DOD has a procurement budget of more than \$125 billion and employs more than 100,000 personnel in its procurement process. CIA, with fewer than [ ] procurement officers and a much smaller procurement budget, could not possibly implement the recommendations; however, we do note that PROC 4, Multiyear Contracting, is of interest and might be of use in selected CIA programs.

Recommendations:

PROC 10-1: DOD should require compliance with the EOQ system, and should eliminate as much of the variation in each Service with respect to forecasting demand and use of the EOQ. An audit program should be initiated to ensure compliance.

Comment:

Because of the relative small size of Agency inventories, space limitations, changing programs and the inability to measure inventory procurement and inventory carrying costs, EOQ theory has not been utilized by Agency inventory managers. Demand forecasting is based upon either of two factors: (a) Specific materiel requirements for specific Agency programs, and (b) recent issue experience (history) obtained from the automated Inventory Control System (ICS).

Recommendation:

PROC 10-2: DOD should establish guidelines for the Services to regularly assess and adjust to current levels the purchasing and inventory carrying costs.

Comment:

Existing Agency automated systems do not provide information necessary to measure purchasing and inventory carrying costs. It is, however, a requirement of the LIMS modernization project to provide managers with these costs.

Recommendation:

PROC 10-3: DOD should expedite the modernization of computer facilities to provide accurate status of stock and to improve the level of accuracy of demand forecasts.

Comment:

The Logistics Integrated Management System (LIMS) will provide the necessary tools to improve the accuracy of EOQ forecasting in the Agency.

Recommendation:

PROC 10-4: DOD should reinitiate the task of determining what inventories are required for readiness purposes and encoding all items with a relative essentiality factor.

Comment:

We do not consider this recommendation applicable to the Agency. Given the size and type of programs the Agency supports, inventories must be responsive to need. It is therefore essential that Agency fill-rate ratios generally be maintained at consistently high levels.

Recommendation:

PROC 10-5: DOD should review the criteria for rating inventory managers, which should include demand forecast accuracy and stock turn as well as filled rate.

Comment:

These factors, where applicable are currently incorporated into the Performance Appraisal Report for Agency inventory managers.

Recommendation:

PROC 10-6: DOD should introduce guidelines for adopting some of the private sector techniques for keeping inventories low with appropriate consideration for readiness requirements for those inventories affected.

Comment:

Planning for inventory replenishment (within funding limitations) of large volume/high dollar items include the placing of an order on an annual basis, but scheduling delivery on a monthly or quarterly basis. This strategy helps to minimize carrying costs while at the same time increases the efficiency of warehouse space utilization.

Recommendation:

PROC 11-1: The Services should implement appropriate interim measures as a short-term strategy to bridge the gap and for quick payoff in improving inventory visibility and management.

Comment:

Improving inventory visibility and management is an objective of the Logistics Integrated Management System (LIMS). The current Inventory Control System (ICS) will be incorporated into and enhanced by LIMS.

Recommendation:

PROC 11-2: The Services should pursue ADP modernization by:

- (1) Instituting a pilot program in each service to install "tailored" commercial ADP software packages in conjunction with the use of minicomputers.
- (2) Studying the use of commercial ADP service and equipment with emulation capability if needed, to augment overloaded facilities.
- (3) Emphasizing the use of existing modernized or planned systems in DOD to avoid extended development time. Also, large private sector industries should be studied to identify more efficient practices relevant to DOD logistics.

Comments:

These recommendations are being pursued in the development of LIMS.

Recommendation:

PROC 11-3: There should be a focal point in DOD at a sufficiently high level to provide impetus to initiate and implement measures for ADP modernization.

Comments:

The Office of Data Processing is the Agency focal point for ADP modernization to include the development of LIMS.

Recommendation:

PROC 12-1: DOD should initiate a program of "wall-to-wall" inventory taking on a periodic basis.

Comment:

Conducting wall-to-wall inventories, by materiel category, is a routine procedure of Central Depot.

Recommendation:

PROC 12-2: The LOGMARS implementation plan should be implemented. Potential benefits exist relative to inventory taking.

Comment:

We are currently studying the possibilities of incorporating inventory bar coding into LIMS. The extent to which bar coding can be accommodated in LIMS is still under review.

Recommendation:

PROC 13-1: Implement a test program of base-support consolidation.

Comment:

This recommendation is not applicable to the Agency since we do not have numerous facilities colocated in small geographical areas.

Recommendation:

PROC 14-1: Separate the policy and service functions currently in GSA. Policy responsibilities should be transferred to OFPP, under the aegis of the Office of Management and Budget, which would set broad procurement, contracting and inventory policy for government agencies. An integral part of this group would be a council of government agencies which would participate in the formulation of procurement policy with a continuing mandate, rather than being task-oriented, as appears to be the case today.

Comment:

This recommendation would further consolidate the policy function in OFPP. We recommend that the Agency support the recommendation.



Recommendation:

PROC 14-2: To ensure the greatest possible "economies of scale," direct all Government agencies to use GSA for procurement, with the following exceptions:

- (1) Procurement for defense of the country.
- (2) Procurements that could be centralized by other civilian agencies to capitalize on expertise already in place (for example, Veterans Administration purchasing medical supplies.)
- (3) Clearly understood previously agreed upon procedures allowing agencies to go to the open market if GSA was unable to meet their needs, or if it was determined to be less costly.

Comments:

The exceptions immediately allow DOD to exclude themselves from using GSA, i.e., "Procurement for defense of the country." CIA's mission is no less critical than DOD's. Also, our requirements are more like DOD's than those of a civilian agency. While CIA has special authority under its "Act" and other laws and regulations to procure services and supplies necessary for its mission, a fourth exception should be added for the CIA.

Recommendations:

PROC 15-1: Convert FSS to a full commodity center approach, under which each commodity center has "cradle to grave" management responsibility and is operated as a distinct cost center, as it significantly reduces the number of locations where procurement and inventory management activities are conducted.

PROC 15-2: Develop and monitor performance indicators that measure the effectiveness of the procurement function, taking into account the marketplace in addition to timeliness of delivery.

PROC 15-3: Develop a program with specific objectives and deadlines to reevaluate the method of supply for major items. Responsibility for implementation should be assigned to the commodity manager. (The Task Force recommends significant reductions in the use of the multiple awards program. See PROC 21.)

PROC 15-4: Develop a program to contract out the direct delivery retail facilities to the private sector. The Task Force recommends that FSS begin with site(s) outside of the National Capital Region as a pilot program under a schedule

which would result in a prompt evaluation of such an effort. To further reduce costs, FSS should undertake the A-76 cost comparison based on estimated costs of these facilities, rather than incur the implementation costs of converting the selected site(s) to the new facilities.

Comment:

Recommendations PROC 15-1 through 15-4 impact GSA's internal organization. We are not in a position to comment.

Recommendations:

PROC 16-1: Consolidate all DOD contract administration activities in a single organization reporting to the Under Secretary of Defense for Research and Engineering.

PROC 16-2: Make modern database management facilities available to all DOD contract administration activities as soon as feasible.

Comment:

Recommendations PROC 16-1 through 16-2 address internal DOD reorganization issues on which we are not in a position to comment.

Recommendations:

PROC 17-1: Begin the transfer of an additional 900,000 items to DLA at the rate of 50,000 per month, as soon as the current transfer of 200,000 items is complete.

PROC 17-2: Aggressively pursue the issue of DOD Consumable Management with the Senate and House Armed Services Committees.

Comment:

Recommendations PROC 17-1 through 17-2 address internal DOD changes which will spark considerable discussion between the services and DLA. Having said this, we are not in a position to comment.

Recommendations:

PROC 18-1: Mount a campaign through OFPP, the executive agencies, and private industry to gain support for the A-76 program from Congress, the public, Government unions, and local governments.

PROC 18-2: Raise the present cost study threshold to 10 full-time employee equivalents, approximately \$250,000, and have the threshold applicable in both DOD and civilian agencies.

PROC 18-3: Streamline cost study procedures through the development of more standardized performance work statements and study the use of computer processing to automate the cost calculations.

Comment:

Recommendations PROC 18-1 through 18-3 are for greater use of the OMB Circular A-76 process to determine whether functions can more economically be done by government employees or contracted out. CIA has essentially exempted itself from mandatory use of A-76, retaining maximum flexibility as to when to apply its principles. Notice of this policy has been given to OMB.

Recommendations:

PROC 19-1: Develop accountability among procurement/contract management personnel/supervisors for making awards to known poor performers or for failing to terminate for default, to debar or to suspend such performers when circumstances clearly justify doing so.

Proc 19-2: Establish information systems on vendor performance.

Comment:

Recommendations PROC 19-1 through 19-2 have general impact on the federal acquisition system. They are intended to guard against awards to contractors with poor performance. They establish accountability for managers making awards to poor performers. We recommend the Agency support these recommendations.

Recommendation:

PROC 20-1: Increase the Centralization of Civilian Agency Procurement.

Comment:

While centralization may effect economics in some areas, we have gone the other way in CIA. We believe that a mix of centralization and decentralization must be continued if we are to continue to be responsive. We would not support this recommendation for this Agency.

Recommendations:

PROC 21-1: Develop a noncompetitive limited award schedule program with awards normally limited to two to four companies, as appropriate.

PROC 21-2: Minimize the multiple award program in its present form.

Comment:

Recommendations PROC 21-1 through 21-2 would reduce the number of multiple-award contracts and thereby optimize rather than maximize competition. We suggest the Agency support these recommendations.

Recommendation:

PROC 22-1: Start a comprehensive program with specific implementation plans and target dates for completing the shift to simpler specifications where warranted.

Comment:

This recommendation will have government-wide application, and we should support it.

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL  
Real Property Management

Recommendation:

PROP 1-1: Establish in writing a clear, concise goal for Federal real property management.

Comment:

We concur in and support this recommendation.

Recommendations:

PROP 1-2: Correct and update the real property database within 18 months.

PROP 1-3: Select and obtain the most appropriate software and hardware computer system for handling such data.

PROP 1-4: Develop a working management plan for real property within no more than two years.

Comment:

PROP 1-2 through 1-4: These recommendations deal with criticism leveled at GSA for its deficiencies in data collection, outdated information, erroneous information, and inadequate data collection systems. While this is primarily a GSA problem, it cannot be totally corrected without the support of reporting agencies. For security reasons, this Agency should not report real property data into a central, essentially open system. The Agency, however, should do what is necessary to ensure the effective collection and management of its own data.

Recommendation:

PROP 1-5: The Administrator of GSA should order an in-depth internal study of duplication within that Agency, culminating in a report to OMB within one year.

Comment:

While this, too, is a GSA problem, the heavy layering of personnel and responsibility in the property acquisition and maintenance cycle is overcumbersome and inefficient. The Agency has moved towards more direct leasing and taking responsibility for maintenance and operation of its facilities in order to circumvent the GSA process.

Recommendation:

PROP 1-6: Unnecessary duplication between GSA and tenant agencies in facility management functions should be eliminated promptly.

Comment:

This recommendation should definitely be supported. The Agency has already taken steps to deal with this issue by obtaining a delegation of authority from GSA to independently lease space up to 5,000 square feet. The recent Memorandum of Understanding between the Agency and GSA, regarding maintenance and operation of the Headquarters Building is another step towards reducing duplication in these areas.

Recommendation:

PROP 2-1: Remove the ceiling on SLUC rentals for GSA-managed buildings.

Comment:

The Task Force views this recommendation as a means of controlling or managing the acquisition of additional space. If Congress permits SLUC rates to be raised to a level comparable to commercial market values, agencies might be restrained from acquiring space at premium prices if they must justify these new costs in their budgets. This could cost the Agency more money but it might, in fact, be a disincentive to rent more space.

Recommendation:

PROP 2-2: Reaffirm GSA's authority in space allocation.

Comment:

This recommendation supports centralized authority for space management, and primarily by OMB, Congress, and the President. Prudent business practices should not be put aside for political considerations. As for impact on the agencies, overall centralized control in areas of policy management makes sense, but agencies need to be given more control in managing real estate within established guidelines. Rather than centralize the assignment and review of utilization of space with the Administrator of GSA, the authority should be delegated to the agency head. He should be required to report on a regular basis to the President on space utilization and should be required to adhere to regulations and order promulgated.

Recommendations:

PROP 2-3: Prepare central and regional plans for GSA space surveys.

PROP 2-4: Set space-utilization goals for each agency and executive department.

Comment:

Recent Presidential initiatives directed towards office space management reforms deal with this issue. An office space per person utilization rate goal has been set [redacted] [redacted] The Agency is complying with this program. However, we should continue to resist overt reporting of data.

Recommendation:

PROP 2-5: Require space-utilization submissions and annual review of progress toward those goals as part of the budgeting process.

Comment:

Because of the sensitive nature of this Agency and its locations, personnel etc., these kinds of submissions should only be done on a classified basis.

Recommendation:

PROP 3-1: Reevaluate out-year sales goals for surplus federal real property.

Comment:

No comment.

Recommendation:

PROP 3-2: Give agencies some incentives for cooperating fully with the surplus property disposal program.

Comment:

We can and should support such a recommendation. It may be useful to us when we move into the new Headquarters Building and begin to dispose of some of our existing buildings.

Recommendation:

PROP 3-3: Facilitate financing where necessary to make sales.

Comment:

No comment.

Recommendations:

PROP 4-1: Wage determination procedures should be changed.

PROP 4-2: The threshold contract size should be increased to \$25,000.

PROP 4-3: Additional DOL funding should be provided as required.

PROP 4-4: A transition period should be provided to accommodate the changes.

Comment:

These recommendations deal with the Service Contract Act of 1965. We believe the Agency should endorse all recommendations without exception. The Service Contract Act has the greatest impact on GSA, since that agency has the responsibility for housekeeping functions and relies heavily on service contracting. CIA will become implicated when it contracts for services on the new building. It is noted that CIA has excluded itself from the Service Contract Act because of the requirement for disclosure of information on its contracts. The de facto exclusion is based on the CIA Act of 1949 and the responsibility of the DCI to protect sources and methods.

Recommendation:

PROP 5-1: A-76 guidelines for studies on contracting out of high-skill maintenance should be revised.

Comment:

We agree with and would support the recommendation to exempt high-skills maintenance activities from A-76 studies on the basis of less formal analysis and the exercise of sound judgment by those directly involved in making the decisions.

Recommendation:

PROP 5-2: Continued in-house operations should require a simultaneous effort to increase productivity.

Comment:

The Agency is working towards compliance with the Presidential initiatives on office space management. Actions are underway to improve data collection, leasing, and maintenance and operations procedures. The direct-leasing program, use of the Director's authority when required, and agreement with GSA on M&O for Headquarters are directed towards those goals.



Recommendation:

PROP 6-1: A comprehensive maintenance productivity program should be introduced.

Comment:

The Agency should certainly support Government-wide productivity improvements in property maintenance. We have recently reached an agreement with GSA to take over the M&O of our Headquarters Building complex beginning in FY 1985. We hope that this initiative will cause us to be more effective managers in this area.

Recommendation:

PROP 6-2: Central responsibility should be established within each agency.

Comment:

Responsibility is centralized in the Office of Logistics. Property acquisition and lease management along with construction responsibility for [redacted] are in the Real Estate and Construction Division (RECD), and the Headquarters and Washington metropolitan area offices are the responsibility of the Logistics Services Division (LSD). Organizational changes are currently being contemplated, which will further consolidate and improve operations at the Headquarters Building.

STAT

Recommendations:

PROP 6-3: Performance indices for property maintenance should be established, both as a management tool and as performance incentives.

PROP 6-4: Standards and variance analysis should be used to improve planning and scheduling.

PROP 6-5: Outside consultants can help get the program started.

Comment:

Our new initiatives to take over the M&O at Headquarters should result in improvements in all of these areas. The Office of Logistics has, when necessary, hired consultants to help improve maintenance. The latest of these was the Westan Study which addressed the operations, maintenance, and upgrading of the Headquarters Power Plant.

Recommendations:

PROP 7-1: GSA should begin a program immediately to install EMCS on a broad basis.

PROP 7-2: GSA should benefit from private sector experience in regard to energy management control systems.

PROP 7-3: GSA should benefit from DOD experience in applying EMCS to government-controlled buildings.

PROP 7-7: NCR should collect statistics on its own steam production.

PROP 7-8: These steam-system data should be used to improve economic performance.

PROP 7-10: GSA should assess each of its Federal "tenants" for actual consumption of energy in the space under GSA's control.

Comment:

In FY 1983, GSA spent \$224 million for utilities. The Agency should do whatever is necessary and reasonable to install Energy Management Control Systems (EMCS) in an effort to reduce the overall energy consumption and real property costs.

Recommendations:

PROP 7-4: DOD should put the EMCS already ordered into dollar-saving operation quickly.

PROP 7-5: DOD should base its decisions about new EMCS investments on dollar-saving potential.

PROP 7-6: Commercially available EMCS systems should receive consideration over custom designs.

Comment:

These recommendations are directed towards DOD, and we do not feel it appropriate to comment.

Recommendation:

PROP 7-9: Reasons for rescission of the emergency building temperature restrictions should be clarified.

Comment:

We would support this recommendation. However, we need to have more control, along with stricter accountability for energy management within the constraints of operational and practical needs.

Recommendation:

PROP 7-11: DOD should renew its investigation of installing gas and electric meters in military family housing.

Comment:

This recommendation is directed toward DOD, and we do not feel it appropriate to comment.

Recommendations:

PROP 8-1: Limit the use of SFO procedures and modernize the contents of SFOs.

PROP 8-2: GSA should adhere to reasonable private-sector leasing practices.

PROP 8-3: Introduce more flexibility to GSA leasing procedures overall.

PROP 8-4: Speed up GSA lease completions and permit water to have interim action.

Comment:

The recommendations suggest that GSA simplify and update leasing methodology by providing more options for negotiating and utilizing private-sector practices, such as leasing on the basis of "rental space" as opposed to "net rentable," and by paying rent at the first of each month rather than the end of the month. These kinds of improvements should make prospective lessors more willing to negotiate. The Agency generally follows GSA guidelines. However, we have gained some flexibility because of our direct-leasing program.

Recommendation:

PROP 8-5: Adopt local fire safety standards for GSA leasing whenever possible.

Comment:

STAT We concur and support this recommendation, particularly when dealing with [ ] the Washington metropolitan area.

Recommendation:

PROP 8-6: Repeal (or at least reconsider) limiting legislation.

Comment:

We agree that the provision of Section 322 of the Economy Act of June 30, 1932, which restricts federal lease payments to no more than 15 percent of a building's appraisal value is obsolete and should be repealed.

Recommendation:

PROP 8-7: Reconsider Executive Order 12072 on GSA space leasing in central business area.

Comment:

We would support centralization of Government activities into federally owned or leased spaces in urban areas, except, where Agency operational and security requirements are overriding considerations.

Recommendations:

PROP 9-1: Change threshold on GSA lease prospectuses.

PROP 9-2: Raise threshold on GSA alteration prospectuses.

PROP 9-3: Eliminate requirements for GSA prospectuses on property repairs.

PROP 9-4: Full-funding appropriation for GSA leasing.

Comment:

The Agency could support these recommendations. The dollar threshold is currently at \$500,000 and should be raised. The prospectus procedure is also very cumbersome and costly. The threshold has not been revised since 1972. This fact coupled with inflation has made the threshold unrealistic.

Recommendations:

PROP 10-1: Declare a moratorium on DOD construction of FH in the United States, and suspend housing acquisitions.

PROP 10-2: Consolidate DOD management of FH and UPH housing, and equalize standards between them.

PROP 10-3: Revise housing administration at local levels to provide a single service for all military bases in the same or adjacent communities.

PROP 10-4: Consolidate all the DOD Housing Administration, perhaps under civilian experts.

PROP 10-5: Reform the Family Housing Survey.

Comment:

These recommendations are directed toward DOD, and we do not feel it appropriate to comment.

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL  
The Department of Labor (DOL)

We have reviewed the subject segment, and while the DDA memorandum of 19 January 1984, lists OMB Circular A-76 as the item to comment on, we could find only a brief reference to it in this segment (LABOR 6-5). It was, however, treated in two of the other segments, "Procurement/Contracts/Inventory Management" and "Real Property Management."

We feel it would probably be considered inappropriate for the Agency to tell DOL how to conduct their business. However, if the Agency does want to comment on this segment, there are nine areas which concern procurement that we have commented on.

Recommendations:

LABOR 6-1: We are recommending that the Secretary of Labor direct the Assistant Secretary of Administration and Management to exercise central control over the acquisition and management of all ADP equipment, services and personnel.

LABOR 6-2: Develop a definition of the desired DOL-ADP environment, together with a plan for implementing it.

LABOR 6-3: Replace the planned and current procurements for ADP equipment throughout DOL, with a single procurement for a series of systems for all of DOL, which can be used by any and all DOL organizations within the defined environment.

LABOR 6-4: Establish a central authority to manage both in-house and contract programmers in ESA, ETA, LMSA, OASAM and OSHA as a single departmental resource to support programs and administrative needs in those organizations.

LABOR 6-5: When major changes in the administration of a program are being considered, such as the planned Phase II FEC system or recently the Black Lung system, provision of such services by outside contractors should be given first consideration.

LABOR 6-6: In this and all other cases where ADP equipment and services may be provided internally, the full cost of conversion to any system incompatible with the defined DOL-ADP environment should be included in the cost of procuring the system.

LABOR 6-7: To forestall the potential for a "creeping" divergence from established standards (by organizations acquiring systems small enough to fall below existing procurement dollar limit guidelines), require any ADP procurement above \$1,000 to be administered under DOL standards.

Comment:

Recommendations LABOR 6-1 through LABOR 6-7 deal with the acquisition and management of ADP hardware, software, and personnel resources. There are seven recommendations, which suggest that centralized control of ADP be established. What they are proposing is comparable to what we have with the Office of Data Processing and the Automatic Data Processing and Equipment Branch, Procurement Division, OL. The recommendations seem good, and we would expect that DOL would accept them.

Recommendation:

LABOR 11-1: Place all procurement activities under the direct supervision of a single agency--the Office of the Assistant Secretary for Administration and Management--at both the National and Regional office levels.

Comment:

The Agency should concur and should also adopt this recommendation. We currently have a dual delegation of procurement authority which results in problems in control, oversight, and reporting.

Recommendation:

LABOR 11-2: Reemphasize training and development (i.e., the Executive Development Program for Procurement and Contracting.

Comment:

Concur. The Agency already emphasizes training and development for its procurement personnel.

Recommendation:

LABOR 11-3: Achieve staff reduction through consolidation to effect savings or use the savings to upgrade the procurement function. Reductions could be done through attrition.

Comment:

Nonconcur. Undoubtedly, a centralized procurement can result in a need for fewer procurement personnel and lower salary costs. Offsetting this benefit (in CIA) would be a sharp loss in responsiveness, as well as loss of job satisfaction for procurement personnel.

Recommendation:

LABOR 11-4: Give consideration to recommending a threshold in excess of \$17,000 to offset any future inflation. (Department of Defense threshold is \$25,000.)

Comment:

Concur. Threshold should go to \$25,000 to be consistent with DOD.

Recommendations:

LABOR 12-1: We recommend that Congress amend the Davis Bacon Act to raise the threshold to at least \$25,000. This threshold affects savings as follows:

- (1) It would reduce the number of construction contracts for minor projects subject to the Davis Bacon Act; and
- (2) It would encourage smaller local contractors with lower wage factors to bid on these projects.

LABOR 12-2: We recommend that the Secretary of Labor implement the 50 percent regulations change as allowed by Judge Greene's ruling of December 23, 1982.

LABOR 12-3: We recommend that the Secretary of Labor take further steps necessary to change the Davis Bacon Act regulations for all the rejected regulations.

Comment:

Concur with all recommendations.

Recommendation:

LABOR 13-1: We recommend that the Congress amend the Walsh Healey Public Contracts Act to remove eight hours as the threshold for overtime pay for a particular work day. The requirement for overtime beyond 40 hours per week should be maintained. The recommendation is designed to accomplish two objectives:

- (1) It will encourage more companies to bid on government work, and
- (2) It will encourage companies currently covered by Walsh Healey to examine alternatives to produce their products more efficiently.



Comment:

Concur with only recommendation (LABOR 13-1) which is to remove 8-hour day while retaining 40-hour week as threshold for premium pay.

Recommendations:

LABOR 14-1: Raise the minimum dollar value of service contracts from \$2,500 to at least \$25,000.

LABOR 14-2: Adopt three revisions to the regulations. We recommend that the Secretary of Labor adopt three revisions to the regulations that have been pending since August 1981. They cover the following areas:

- (1) Collective bargaining agreements -- limit the successorship requirement for wages on collective bargaining agreements to situations only where the successor contractor performs the service contract in the same locality as the predecessor.
- (2) Composite pay rate -- adopt the two step procedure to establish a wage determination as follows:
  - identify interested bidders; and
  - issue individual wage determinations for each locality in which a potential bidder is found.
- (3) ADP and high-technology service industry coverage -- exclude contracts for maintenance and repair of ADP and high-technology equipment from the SCA coverage.

Comment:

We would recommend concurring in LABOR 14-1, 14-2, and 14-3.

PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL  
Personnel Management Operations

Recommendations:

PER 12-1: OMB should prepare legislation that mandates an agency to conduct and implement the results of cost comparison analyses on all functional areas as outlined by OMB Circular A-76, "Policies for Acquiring Commercial or Industrial Product and Services for Government Use." OMB should also revise and reissue Circular No. A-120, "Guidelines for the Use of Consulting Services" to require additional management controls to ensure that governmental functions are not performed by contractors.

PER 12-1.1: The legislation should establish a firm national policy on acquiring goods and services from the private sector.

Comment:

Other sections of the Grace Commission Report have recommended flexibility. I believe that a firm national policy should be supported but note that CIA has exempted itself from OMB Circular A-76 (with proper notice to OMB). The exemption for CIA should be continued on the basis that our intelligence mission makes many tasks sensitive and suitable only for performance by government employees that could be contracted out in other agencies. One example would be our world-wide communications systems.

Recommendation:

PER 12-1.2: The legislation should also provide that OMB has authority to approve limited exceptions to the general policy based on predetermined criteria which will allow for necessary flexibility.

Comment:

As stated in our comments on PER 12-1.1, the CIA should be exempt from any mandatory requirement to contract out. The DCI must have the authority to make decisions impacting performance of the intelligence mission. As a general observation, it would seem that if predetermined criteria for exemption can be established, then OMB Circular A-76 could be properly drafted to allow the President's heads of executive agencies to carry out this policy.

Recommendation:

PER 12-1.3: Legislation should revise the cost comparison handbook procedures to make the analysis less complicated and detailed.

Comment:

CIA should support this recommendation. A major complaint for a long time has been that you need a task force of experts or an outside contractor to do the cost comparison.

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

President's Private Sector Survey on Cost Control

FROM:

Daniel C. King  
Director of Logistics

EXTENSION

NO.

OL 4045-84

DATE

5 MAR 1984

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1 Deputy Director for Administration

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As you will note, we have expended considerable time and effort in reviewing the Grace Commission reports. Many of the Grace recommendations are not applicable to the Agency. A number of other recommendations will be handled via LIMS. Finally, we have merely concurred in a number of recommendations -- in those isolated instances where we can undertake unilateral action to adopt the Grace recommendations, we intend to do so as time permits. We will report the results of these efforts to you.

STAT

  
Daniel C. King